

## **Allband Communications Cooperative**

### **Petition for Waiver of Part 54.302 and Framework to Limit Reimbursable Capital and Operating Costs**

Lack of waiver of the 54.302 Rule and other cost recovery limitations will irreparably and immediately harm Allband by providing insufficient revenues to:

- Continue to provide voice service to any of its customers and,
- Pay the principle and interest on its RUS loan and,
- Continue operations as a telecommunications carrier.

#### **About Allband**

- Formed in late 2003 as a non-profit member cooperative to serve a remote and unserved area located in the lower peninsula of Michigan.
- Michigan Public Service Commission (MPSC) licensed Allband to provide service in 2004 and this Commission under its authority recognized Allband as an ILEC and allowed it to be a member of the National Exchange Carrier Association (NECA) and to participate in the NECA intercarrier compensation tariffs and pools and to receive Federal USF.
- Allband serves approximately 160 access lines over a 177 square mile area which represents approximately 1 subscriber per square mile.
- Network constructed consists of 255 miles of buried fiber with 25 miles of fiber for backhaul to PSTN. This represents .64 subscribers per fiber mile.
- Rural Utilities Service (RUS) provided loans to Allband totaling approximately \$8 million to purchase and construct facilities to provide service in the unserved area.
- Federal USF revenues constitute 84 percent of Allband's total regulated and non-regulated revenues.

#### **Impact of Rule Changes on Allband**

##### ***Detrimental Revenue and Earnings Impacts***

- The Part 54.302 rule will have the following effect on Allband's total company (regulated and non-regulated) financials, namely, a significant and devastating loss of revenues which will render the company unable to continue operations:

<b>Date</b>	<b>Revenue</b>	<b>Percent Reduction</b>	<b>Earnings</b>	<b>Rate of Return</b>	<b>Tier Ratio</b>
Prior to change	\$1,655,995	0%	\$410,616	6.6%	1.2
7-1-2012	\$1,353,419	18%	\$108,040	1.7%	0.3
7-1-2013	\$1,050,843	37%	(\$194,536)	(3.1%)	(0.6)
7-1-2014	\$ 748,267	55%	(\$497,112)	(8.0%)	(1.7)

- The Framework to Limit Reimbursable Capital and Operating Costs, if adopted as proposed, will have the following effect on Allband's total company (regulated and non-regulated) financials, namely, a significant and devastating loss of revenues which will render the company unable to continue operations:

<b>Date</b>	<b>Revenue</b>	<b>Percent Reduction</b>	<b>Earnings</b>	<b>Rate of Return</b>	<b>Tier Ratio</b>
Prior to change	\$1,655,995	0%	\$410,616	6.6%	1.2
7-1-2012	\$1,257,560	24%	\$12,181	0.2%	0.04

### ***Unjust and Unreasonable Impacts on Consumers***

- Consumer voice rates if the revenue shortfall for the changes adopted are flowed through to Allband's customers would be unjust, unreasonable and unaffordable:

Prior to change		\$ 19.90 per-line per-month	
Section 54.302 rule--	07-01-2012	\$174.90 per-line per-month	779% increase
	07-01-2013	\$329.90 per-line per-month	1,579% increase
	07-01 -2014	\$484.00 per-line per-month	2,332% increase
Capital and Expense Cap	07-01-2012	\$204.00 per-line per-month	925% increase

### ***Allband Would Become Insolvent***

- The changes will result in the inability of Allband to repay its RUS loan beginning on 7-1-2012. For the first twelve months, Allband's cash flow available for debt payments would be insufficient by over \$175,000. Upon final phase-in of the cap, the insufficiency would be over \$780,000.
- The Framework to limit capital and operating costs would cause Allband's cash flow to be insufficient by over \$271,000 to satisfy debt payments.